

**Remarks by Steven C. Preston
Administrator, U.S. Small Business Administration
7th Annual Franchise Appreciation Day
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Thank you all very much.

It's a great pleasure to have this chance to be here with so many good friends and supporters.

It was only a few months ago that my nomination to lead the SBA was announced and I went from the relatively non-public world of corporate America to the rough and tumbled world of politics, publicity and punching bags.

At a time when people who didn't know me felt extremely free to politicize my nomination, some who did know me took a big step forward to support me both publicly and privately- one of whom was you, the IFA. I thank you for that.

I want to specifically acknowledge Mike Isakson, who was a colleague of mine at ServiceMaster, and has been a friend for almost 10 years. Mike, for those of you who don't know him, is a shy, somewhat introverted fellow- easy to miss in a crowd.

I joke about that because as many of you know, Mike comes from ServiceMaster where well over 90 percent of the reported revenues come from non-franchise businesses. So, Mike had to be the voice of the small business owner in a company often focused on large business. He had to remind people that the company started both as a small business and as a franchiser. That the small business owner wakes up each day not going to his or her job, but going to the business that he or she built. And that there is great power in that model. Mike is a great advocate and I will remember those lessons as I step into the role as the chief advocate for small businesses in this country.

It's a particular pleasure to stand before all of you because I understand the value of franchised businesses to the health and well-being of our nation and its economy. I have seen it first hand through my work many years ago as a banker, as an executive at ServiceMaster and as an adviser to private equity firms investing in new franchise concepts.

I know the value of collaborating with those who are fulfilling a dream by owning a business. I couldn't be prouder of the extraordinary work all of us have done for the individual small business owners we serve, and in turn for our communities, our industries and our nation.

Franchising is one of this country's great success stories. I couldn't help but be astounded by the numbers on the IFA Web site citing the PriceWaterhouse Coopers Study indicating franchises provide an estimated \$1.5 trillion in revenue yearly, or nearly 10 percent of the nation's private-sector economy, and good jobs for more than 18 million Americans – nearly 14 percent of private sector employment.

The future is even brighter, because in a free market economy, the future is as big as the dreams of its entrepreneurs – and franchise entrepreneurs are creating new concepts at an extraordinary pace.

I have seen estimates indicating nearly 900 concepts started franchising over the past three years, and 500 in the 2005 alone. And they were across industry categories, with the strongest growth in building and construction, child related and service businesses.¹

Carl Schramm – an economist and CEO of the Kauffman Foundation, which studies and fosters entrepreneurship and is an SBA partner – says that a strong and well functioning economy needs both big businesses and entrepreneurs. In fact, he adds, the two depend on one another, as sources of new ideas, as suppliers and customers... and as phases of

¹ "Franchise Sector Booming, New Research Shows," August 7, 2006, franchise.org/article.asp?article=1529&paper=93&cat=373

the natural life cycle of businesses, each of which must be free to grow or shrink as markets and management skills allow.

Franchisers are a combination of these two central aspects of American greatness.

That entrepreneurial spirit that is willing to put it all on the line: to work hard, sometimes harder than seems humanly possible, to take risks with no certainty of reward, to bend every bit of intellect and creativity to creating something new that serves other people and *their* needs first.

At the same time, franchise entrepreneurs are part of a bigger family, the larger firm that may provide access to proven methods and products, to capital, to scale and to markets. In many ways franchisers provide the same services that we provide at the SBA.

Franchising is really the best of individualism and capitalism, fused into one extraordinary engine of growth for the U.S. economy.

At SBA, we provide financial, technical and government contracting assistance to small businesses. But often we have conflicts that arise over who can and cannot be considered a small business. As I testified before the Senate Small Business and Entrepreneurship Committee during my confirmation hearing, I believe that the definition covers a vast, diverse universe – small businesses come in thousands of different flavors, many of them franchises. And, if a company is in fact a small business, we need to stand ready to help it along its path toward growth, contribution and job creation.

Right now SBA works with thousands of franchises and many appear on our franchise registry regularly. My goal as administrator is that we continue to recognize the contribution franchises make to our economy and to offer a transparent and efficient system for franchise small businesses to access SBA's programs and services. In fact, because of the constituency we both serve, I believe we can find opportunities to fulfill

the shared mission of both of our organizations to promote the growth and development of small business. And I would look forward to working with your leadership to do so.

It really is a terrific honor for me to have the opportunity to serve our country, and to do so in an agency that is doing so much to help the engines of employment, economic growth and continuing innovation to keep moving full speed ahead.

I am also proud to be serving a President who stands tall on tough issues, who leads based on principles, not on polls, and who has worked so hard to create an environment where small business can flourish.

He has done so by advancing an economic agenda that resonates with anyone who started and built a business.

- Having gotten Congress to extend the 2003 tax cuts for two additional years, he is now working to make them permanent, including a permanent repeal of the death tax, so, as entrepreneurs, you can pass on the business you built to your children without a load of debt inflicted by the federal government.
- He is also working with Congress to encourage and support investment in new technologies that can reduce our reliance on foreign oil and the economic uncertainty it creates.
 - The President has charted a better way that reaches for energy independence without sacrificing economic growth. That's a course we need to follow.
- Then there's health care. We need to get small business health plans passed in this country so small businesses can reduce the strangling cost of health care for their employees and we, as a nation, can expand the coverage for our citizens. The President has said, "If people want the small business sector to flourish, then they ought to help small businesses afford health care."

Small business health plans simply allow small businesses to come together and leverage their buying power through associations. It's a simple concept, and it costs the taxpayer nothing.

The President has also proposed expanding the successful tax-free Health Savings Accounts, or HSAs, which are covering many struggling families that were previously uninsured. According to America's Health Insurance Plans (AHIP) today there are 3.2 million covered by HSA-type insurance plans, a seven fold increase between November 2004 to December 2005.

There are many other important items on the President's agenda.

- The President's Lawsuit Abuse Reduction Act that would penalize those frivolous lawsuits that so plague small business.
- Comprehensive immigration reform that both secures our borders and meets our economy's need for workers in a lawful and orderly way.
- And ensuring that the regulatory burdens on small businesses are held at bay.

I am talking about the importance of the economic agenda, because it wasn't that long ago that we were looking at a plunging stock market, corporate accounting scandals, and the horrific attack on 9-11, and the economic turmoil that ensued. But over the last three years, we have seen:

- Consistently robust economic growth;

[4.2 percent annual growth rate over the first six months of the year.]

- Steady job creation, and as a result, an enduringly low unemployment rate;

[1.7 million jobs created in the past 12 months, more than 5.7 million since August 2003.]

- Even a stock market that is bumping up against record highs.

[9/02/03, Dow surpassed 9,500. Today, it's closing on 11,600.]

We need to celebrate this accomplishment. But as we do, we need to understand what drives it – the entrepreneurs of our country.

- You drive our economic growth.
- You create two out of every three new jobs.
- You enable an economy driven by innovation and regeneration which keeps our country competitive.

So I know, in my new role, that it is critical that I make sure we at the SBA are maximizing the impact we have on small business, throughout programs.

Over the last two months, I have spent a lot of time listening to our employees, our legislators, trade associations, and most importantly, directly to our customers, including members of the franchise community. And I have come to the simple conclusion that the most important progress we can make is in applying good solid business principles to the work we do – much as you do every day in your business. And as such, we are approaching these issues by asking four basic questions we are using as our guideposts.

First, are we focused on the right outcomes? Do we understand how our services are driving change and is it where we believe it will have the most important impact?

Second, are we truly focused on what is important to our customers? Are we customer-centric – do we understand what the people we serve need, and are we doing business on their terms? If there is too much friction in the process, if we are too slow, and if we are tough to work with, we will choke off our effectiveness because the value of our services will be diminished by the difficulty in using them. We have a lot of opportunity to simplify life for our customers.

Third, are we enabling our employees? Any organization that serves people must have an employee base that is motivated and enabled to provide that service. So we need to ask, are we working to give our employees the tools, training and work environment they need to serve you effectively and enthusiastically?

And finally, are we transparent, efficient, and accountable? Are we running a tight ship? Every day, are we working in a way that earns your trust? We have to make sure that we use every dollar the taxpayers give us responsibly.

Transparency equals trust. Like every part of government in a democracy, we have a bedrock obligation to work every day to deserve the public's trust.

- Outcome driven
- Customer centric
- Employee enabled
- Accountable, efficient and transparent

It is so important that we drive these principles, because we open the doors of entrepreneurship to those who have the vision and drive but fall short in access and capital – or could use experienced counseling – or want to have a level playing field to sell goods and services to the federal government.

We are only a part of the vast system of American entrepreneurial finance, but we are a crucial part.

You know, I think a lot about the role small business plays and the role the SBA should play, in community transformation, because I believe we can do a better job reaching communities in our country that need support- where focus, capital and commitment can bring about change, where change is needed most - like in our inner cities, our rural markets, or in communities undergoing change. And there is a picture I carry in my mind virtually every day, that reminds me of this role. I visited New Orleans for the first time earlier this year. I had spent several hours touring the devastation. For miles you could see virtually no activity. As we were leaving the lower ninth ward, among the endless rows of hollow buildings, one shining exception stood out – a small, Hispanic-owned grocery store, freshly painted white, with sparkling windows, and a brightly painted sign overhead. People were scrubbing the floors, stocking the shelves, cleaning the sidewalk out front – preparing to reopen.

As I looked at the emptiness surrounding this tiny pioneer, I wondered why they were taking such a risk and whether they would survive. Then I realized that I was seeing just why small business is so crucial to our nation and its spirit.

It's small business's readiness to take risks, the grit to stick out the hard times, the commitment not just of capital but of passion, and the devotion when others falter -- all of this that puts small businesses at the heart of strong communities throughout our country.

Before I conclude, let me just update you briefly on a particular area at the SBA where I have been very focused. That is our disaster operation.

In that collective disaster that were the devastating hurricanes that struck our country last year, the SBA responded by approving more than \$10.6 billion in low interest disaster loans to more than 158,000 businesses, homeowners and renters.

But much of that money is still not disbursed – for various reasons – some of which we can fix.

How have we begun to address the issue? We have spent time in the Gulf and listened to our customers tell their stories. In fact, we even videotaped customer interviews to bring back to our employees, so they could hear the voice of the customer. We took what we learned to a three day off-site where we assembled leaders from our disaster operations, talent from our Washington operation and external process design experts, and began to lay out a vision, backed by detailed process redesign initiatives to finish the Katrina job quickly, and to ensure that we drive that operation to a higher standard than ever before. We have entirely redesigned our work processes. What was projected to take at least six months, we think we can finish in six weeks, with a better result. It's based on the need for responsiveness as an outcome. It's supported by an understanding from the customers of how they want to be served in the process. It's focused on enabling our employees to deliver that service by giving them the right tools. And, it insists that we have metrics in place to see how we are performing each step of the way.

We need to apply this thinking to all of our services. In closing - you and I are blessed to live in a nation in which entrepreneurship is free to flourish.

Not only do entrepreneurship and small businesses form the foundation of our economy, but they are crucial bonds in our communities and, they may well be, the strongest bridge to opportunity for Americans of all backgrounds – which is why it is the goal of our national economic policy and my goal as head of the SBA to keep that bridge open, expansive and sturdy.

Thank you for inviting me. As I say, it's so good to get together with friends. People who have the same vision of where, together, we all want to go in this country.

Thank you very much.

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